Corus Entertainment Inc. Our 2000 Annual Report

Corus™ Entertainment

Corus Entertainment Inc. Our 2000 Annual Report

CORUS AT A GLANCE

OPERATING DIVISIONS | **KEY STATISTICS** | **KEY BRANDS**

Radio Broadcasting

With 49 stations (subject to CRTC approval of the Metromedia acquisition) across the country, including market clusters in high-growth urban centres in British Columbia, Alberta, Manitoba, Ontario and Quebec, Corus Entertainment is Canada's largest radio operator in terms of revenue and audience tuning.

- Canadians spend 85.3 million hours tuned in to Corus radio stations each week
- Corus radio stations reach 8.4 million Canadians each week – 3 million more than the closest competitor
- Corus has the only private radio network covering major markets in Canada
- www.edge102.com is the ninth most listened to Web site in the world

Specialty Programming

Corus Entertainment has control or an interest in many of Canada's leading specialty and pay-television networks, including YTV, Treehouse TV, CMT, Teletoon, Telelatino, Superchannel, MovieMax!, Viewer's Choice, The Comedy Network, The Food Network Canada and DMX. With a commitment to innovative programming and strategic acquisitions, Corus' programming division is poised for tremendous growth.

- Corus' programming services in aggregate have 22 million subscribers
- One out of every two Canadians watches Corus' specialty networks each week
- Corus has the most visited kids' Web site in Canada, at www.ytv.com

Diversified Media (Other)

In addition to its television and radio assets, Corus Entertainment also owns Digital ADventure, a cable advertising service; DMX Commercial, a digital audio service; and four network-affiliated conventional television stations.

- DMX Commercial is the largest professional audio service in Canada
- Digital ADventure is Canada's largest and most geographically diverse cable advertising company, operating 112 cable advertising channels from coast to coast
- The three Ontario network affiliated stations reach over a half million viewers daily

TURN

IT UP

To Our Valued Shareholders, Employees and Friends: Corus Entertainment Inc. set out in 1999 to become Canada's leading entertainment company, focused on radio and specialty television – the most dynamic growth segments in media. More broadly, we staked out a position for ourselves in the kids and music business. The name Corus, and its youthful look, emerged from the realization that Canada's newest entertainment company should reflect the assets we were going to build upon and the energy with which we planned to build them.

And build them we have.

Over the last year we have demonstrated that we're a force to be reckoned with. Whether we're "keeping it weird" on YTV, or showing we've got some "edge" on Toronto's Edge 102 we will continue to provide millions of Canadians with hours of entertainment through the best television programming, radio stations, specialty channels and digital offerings. We are confident we will change the face of entertainment in Canada and around the globe.

Our Vision. In July 1998, we saw an opportunity to separate the media assets of Shaw Communications Inc. and create a new publicly traded company that would be even more strategically focused and provide shareholders with substantially increased value. Corus Entertainment Inc. is the result.

We also recognized that a focused management team could maximize opportunities for growth. Shareholders who retained both Corus and Shaw shares have realized a gain of 125%, compared to a growth rate of 61% in the TSE composite and 19% in the communications sector.

In addition, the creation of Corus is in accord with direction from the Government of Canada's convergence policy, which encourages distributors to create structurally separate companies to advance their interests in ownership of programming assets. In this regard we are making meaningful progress in positioning ourselves as a vital and contributing force in Canadian broadcasting.

We will continue to turn it up as we aggressively move into markets that contribute to our strategic goals for the future.

OUR VISION IS TO BECOME CANADA'S LEADING ENTERTAINMENT COMPANY.

John M. Cassaday President & Chief Executive Officer

Our Growth. In our first year of existence, Corus has added over $1 billion in market capital through a series of strategic acquisitions, some of which are pending regulatory approval.

On the day Corus was created, we acquired Blackburn Broadcasting's London, Ontario radio assets. A week later, we announced the acquisition of Power Broadcasting Inc. – a highly strategic asset in the coveted Southern Ontario radio market.

In late 1999, Corus reached agreement with Shaw and CanWest Global Communications Corp. to restructure interests in Western International Communications Ltd. ("WIC"). The approval of the WIC radio assets – ultimately secured in July 2000 – positioned Corus as Canada's leading radio broadcaster, both in terms of revenue and tuning. Most importantly, Corus now owns 22 radio stations in the gold vein of the Canadian radio market, the area between London and Kingston along the Highway 401 corridor.

The WIC acquisition also secured a position for Corus as Western Canada's source for movies, with Superchannel, MovieMax! and Viewer's Choice. Since movie services are key drivers of digital cable and satellite offerings, our assets are well positioned for dynamic growth.

As a result of the WIC acquisition, Liberty Media became a 19.9% shareholder in Corus, affirming our growth potential and the merit of our business plan.

We acquired Sound Products in July 2000 to strengthen our commercial music business. The successful and growing DMX Commercial business will benefit from Sound Products' access to customers – particularly in the Quick Service Restaurant category – and complements our strategic focus on national accounts to drive further DMX growth.

Finally, in August we announced a 29.9% interest in the Quebec-based radio company, Metromedia, with the intent to move to 100% upon CRTC approval. The Metromedia acquisition offers Corus outstanding management talent to develop our existing Quebec radio business, six additional radio stations in Montreal, Canada's second largest radio market, and bragging rights to Canada's largest radio station, CKOI-FM.

IN OUR FIRST YEAR, 1 BILLION DOLLARS THROUGH A SERIES ACQUISITIONS.

WE ADDED OVER IN MARKET CAPITAL OF STRATEGIC

Our Performance. Acquisitions weren't the only events worth celebrating in fiscal 2000, as our core businesses continued to perform extraordinarily well.

We continue to experience considerable momentum in sales and earnings in our specialty television business, with margin performance and growth among the best in the industry.

YTV ratings and revenue surged with strong programming, an outstanding customer orientation throughout the entire organization, and its compelling new positioning, "Keep It Weird." Continuing our commitment to growth, Corus participated in a hearing to license new specialty television channels, and we anticipate launching several new digital channels in the next 12 months.

As the Number One radio company in Canada, we maintained strong margins while preparing to reap the benefits of our massive consolidation efforts. We were gratified to see the WIC radio properties substantially improve profitability over the last year, despite ownership and regulatory uncertainty. We are confident the strength of our market clusters will result in continued future growth.

Our Diversified Media unit – specifically, conventional television, DMX Commercial and Digital ADventure – enjoyed impressive top-line and bottom-line growth.

Embracing traditional and new media, Corus is committed to ensuring each of our assets has a strong presence online. As we expand our reach globally, emerging technologies will enable audiences worldwide to tune into Corus, regardless of their choice of platform.

It's been a great year. In Corus' first full year as a public company, we:

- Increased share price by 130%, from $18.90 to $43.50
- Increased the number of wholly or partially owned broadcast licenses by 233%, from 21 to 70
- Increased revenues 41%, from $162.4 million to $229.2 million
- Increased EBITDA 33%, from $49.1 million to $65.5 million
- Grew from 1,100 employees to 2,350 – an increase of 114%

Heather A. Shaw Executive Chair

WE WILL EXPAND INTERNATIONALLY BY LEVERAGING OUR CORE EXPERTISE IN KIDS AND MUSIC.

14

Our Brand. With a focus on music and children's programming, Corus is positioned to creatively package a diversified portfolio of media products and services that delight our audiences and create value for our shareholders.

We're tremendously proud of the expertise we have developed with our dynamic collection of successful brands, including YTV, Treehouse TV, CMT, Edge 102 and DMX, to name a few. We will continue this momentum going forward to build a strong brand in Corus.

For investors, this commitment will result in above-average earnings in one of North America's most dynamic media sectors – specialty TV and radio. For viewers and listeners, our brand commitment is to deliver superior programming. For our employees, Corus is about being youthful, energetic and hip – that's something we can all tune in to, be excited about and grow with.

Our Team. We have assembled an outstanding management team for each of our three business units and our key functional areas of finance, marketing, human resources, and legal and regulatory affairs. We have developed a compelling vision, core values and stretch objectives for all of our divisions and employees. We have instituted a performance-based incentive program, and every employee in our company is aligned with our vision and goals.

We are Number One in radio, Number Two in specialty television. Our compelling vision for the future will see us continue to develop our domestic business both organically and through aquisitions and expand internationally around our core strengths in kids and music. We have outstanding creative leadership and a turned-on employee base – 66% of whom own stock in Corus Entertainment. We're enjoying the ride. We hope you are as well. Stay tuned – there's more excitement on the way!

John M. Cassaday
President & Chief Executive Officer

Heather A. Shaw
Executive Chair

[The following three pages contain photos which were originally printed on pages 16 through 61 of the Annual Report but were reduced to three pages for Sedar filing purposes.]


TUNE IT IN


Whether you're a little bit country or a whole lotta rock'n roll.
Canadians are tuned in to Corus Entertainment stations


nationwide for over 35 million hours every week. Corus
reaches 65% of Canada's rock listeners through 10 powerful


rock stations, such as Vancouver's Rock 101, Winnipeg's
Power 97 and Toronto's Edge 102. The Edge also reaches


listeners in cyberspace as one of the Top 10 online radio
stations in the world. Does this country like country?

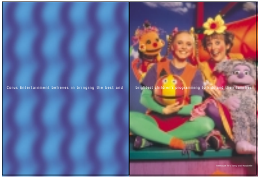

Howard Stern (Q107)
Rutherford (CHQR)
Humble Howard (Edge 102)
Fred Patterson (Edge 102)
Over a half-million Canadians tune in to Corus stations
like Country 105 in Calgary or Country 96 in Kingston
Willy Percy (LG73)
Rhubarb Jones (630 CHED)


every week. And when your kids tune you out? They're
likely among the 37% of hits listeners plugged in to our


Energy or Power stations across the country. Corus is Canada's
largest sports radio broadcaster – 2 million Canadians


tune in to stations like Winnipeg's CJOB and Calgary's CHQR
for the best in sports, talk radio and news. Leave it on!


TURN IT ON


Corus Entertainment believes in bringing the best and
brightest children's programming to kids and their families


across Canada and around the world. In Canada, 4.7 million
homes turn on Treehouse TV, where they can sing and play
Little Bear (Treehouse TV)

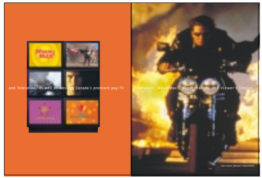

along with their Treehouse friends. Over 6.2 million households
subscribe to YTV, Canada's leading youth network, reaching the


coveted tween and teen markets. YTV.com is the most popular
Canadian Web site among kids, with a mind-blowing
YTV Web site


2 million page views each week! As the second-largest
country-music market in the world, Canadians turn on CMT


for the latest music, concerts and news, and for the best
folk, Celtic, blues and traditional country music. Corus is
Shania Twain


also turning heads and glueing eyeballs with interests in
The Food Network Canada, The Comedy Network, TELETOON


and Telelatino, as well as Western Canada's premiere pay-TV
services, MovieMax!, Superchannel and Viewer's Choice.
Tom Cruise (Mission Impossible)

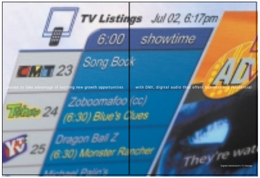
KEEP IT ON

Corus reaches hundreds of thousands of Canadians through our four network-affiliated TV stations. Digital ADventure

Rick Mercer and Greg Thomey (This Hour Has 22 Minutes)

offers on-air advertising services across the country, including TV listings and real estate guides. Corus is

Digital Adventure's Real Estate Teleguide



poised to take advantage of exciting new growth opportunities with DMX, digital audio that offers business and residential

Digital Adventure's TV listings

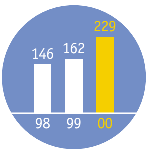
customers commercial-free music from around the world. All this excitement in Corus' first year – stay tuned for more.

FINANCIAL REVIEW

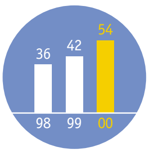
FINANCIAL HIGHLIGHTS

Year ended August 31 (thousands of Canadian dollars except per share data)	2000	1999	1998
Results of operations			
Revenues	229,230	162,379	146,185
Operating income before interest, taxes, depreciation and amortization (EBITDA)	65,536	49,091	43,650
Net income (loss)	155,984	7,375	(4,284)
Cash flow from operations	54,304	42,263	35,647
Capital expenditures	9,975	6,535	8,308
Per share data			
Cash flow per share	1.63		
Earnings per share	4.67		
Weighted average shares outstanding	33,379,000		
Financial position			
Total assets	1,413,795	862,537	798,452
Long-term debt	294,355	300,000	300,000
Shareholders' equity	826,678	–	
Net investment by Shaw	–	470,839	395,255
Net debt/EBITDA	(1.21)	6.11	6.87

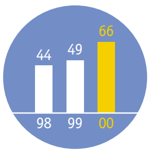
TOTAL REVENUE
(in $millions)



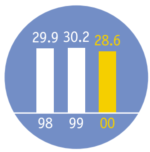
TOTAL CASH FLOW FROM OPERATIONS
(in $millions)



TOTAL OPERATING INCOME
(in $millions)



TOTAL OPERATING MARGIN
(in percentages)



RADIO BROADCASTING

Through selective acquisitions, Corus' radio broadcasting business currently includes stations in high-growth urban centres in British Columbia, Alberta, Manitoba, Ontario and Quebec, and is the largest radio operator in terms of revenue and audience tuning in Canada. Corus' radio stations are rated number one or two in the prime demographic for their relevant markets.

Corus' near-term strategy is focused on strengthening the Company's position in the major metropolitan markets in Canada. With the planned acquisition of the six Metromedia radio stations in Quebec, Corus will have stations in Canada's three largest markets: Toronto, Montreal and Vancouver. In addition, Corus' clustering strategy will provide advertisers with a seamless link between the key markets from London to Kingston, Ontario, and between Edmonton, Red Deer and Calgary, Alberta. Corus will pursue acquisition opportunities in these markets to expand its audience reach, subject to CRTC limits on ownership.

SPECIALTY PROGRAMMING

Corus' specialty programming business comprises interests in a number of the most successful specialty channels and pay-television services in Canada.

THIS HAS BEEN A YEAR OF UNPRECEDENTED GROWTH AND EXPANSION FOR THE CORUS RADIO COMPANY. AS THE LARGEST RADIO OPERATOR BY REVENUE IN CANADA, WE LOOK FORWARD TO OUR CONTINUED CONSOLIDATION, EXPANSION AND REVENUE GROWTH, WITH A WELL BALANCED TEAM OF PLAYERS.

J. TERRY STRAIN, PRESIDENT, CORUS RADIO

Specialty Television Networks

YTV, a network dedicated to programming for children and youth aged 2 to 17, is seen in approximately 8.2 million Canadian households and is one of the most watched specialty networks in Canada. Carried on the basic cable tier, YTV is also one of the most profitable networks in the country. YTV has won numerous programming, on-air promotion and marketing awards since it was launched in 1988.

Treehouse TV, a network owned by YTV, was launched in November 1997, and is currently available in approximately 4.7 million homes across Canada. Carried on the extended basic cable tier, Treehouse TV is targeted to pre-school children six years of age or younger and, in light of the interests and developmental levels of its audience, does not carry advertising. It broadcasts programming from Canada and other countries from 6:00 a.m. to 3:00 a.m. (Eastern Standard Time), seven days per week.

Corus holds a 90% voting interest and an 80% equity interest in a company which holds the exclusive license to operate CMT in Canada. The remaining 10% voting interest and 20% equity interest is indirectly held by Country Music Television Inc., the operator of a similar service in the U.S. CMT is the only country music video network in Canada, which is the second-largest country music market in the world. CMT mixes country music with talk and Celtic and roots music, and is currently available in over seven million homes via cable and DTH satellite across Canada.

Corus holds a 14.95% interest in The Comedy Network, which offers Canadian and foreign comedy series, comedy sketches, and variety and human interest programs. Launched in October 1997, The Comedy Network has close to four million subscribers.

OUR SPECIALTY TELEVISION SERVICES GENERATED OUTSTANDING EBITDA GROWTH, UP AN IMPRESSIVE 41%. LATE IN THE YEAR WE ADDED THE PREMIUM MOVIE SERVICES WHICH ARE POISED FOR STRONG GROWTH. THE FUTURE LOOKS BRIGHT AS WE PREPARE TO LAUNCH SEVERAL NEW DIGITAL TELEVISION SERVICES WHILE WE EXPLORE INTERNATIONAL OPPORTUNITIES.
PAUL ROBERTSON, PRESIDENT, CORUS TELEVISION

Through YTV, Corus holds a 20% direct interest in TELETOON Canada Inc. ("Teletoon"). In Quebec, approximately 1.7 million households – close to 80% of basic cable subscribers – are TELETOON subscribers. In the rest of Canada, over 4.1 million households subscribe to TELETOON, comprising nearly 60% of basic cable subscribers.

Corus holds a 20% interest in Telelatino Network Inc. ("Telelatino"), which offers programming in Italian, Spanish, English and French. It offers daily satellite news reports from Italy and Latin America, and international sports, music, soap operas, variety shows and feature films. Telelatino currently reaches approximately 3.3 million households across Canada.

Corus holds 10% of the voting shares and 46.6% of the non-voting shares – a 19.9% overall ownership interest – in The Food Network Canada, a Canadian version of the US Food Network.

Pay Television

Corus now owns Superchannel Ltd. and MovieMax! Ltd., the exclusive licensed providers of pay-television movie services in Western Canada. Corus also owns Corus VC Ltd., the pay-per-view service in Western Canada which operates under the name Viewer's Choice, and a 50% equity interest in The Family Channel Inc. (currently held in trust as per CRTC instruction).

DMX Residential

DMX Residential is a 30-channel audio package, initially offered as part of Shaw's digital offering, and now carried by several Broadcast Distribution Undertakings ("BDUs"). In February 2000, DMX entered into a joint marketing agreement with the CBC to offer a 40-channel service to BDUs under the brand name DMX Galaxie.

DIVERSIFIED MEDIA APTLY DESCRIBES A GROUP OF COMPANIES AND TALENTED INDIVIDUALS WORKING LOCALLY AND NATIONALLY TO PROVIDE CLIENTS WITH TRULY INNOVATIVE PRODUCTS AND SERVICES DESIGNED TO IMPROVE OUR CUSTOMERS' BUSINESSES. FROM MUSIC SERVICES AND AUDIO PRODUCTS TO COMMERCIAL PRODUCTION AND AIRTIME, OUR COMPANIES DELIVER RESULTS.

BRYAN ELLIS, GROUP VICE PRESIDENT

DIVERSIFIED MEDIA (OTHER)

DMX Commercial

DMX Commercial offers a commercial-free, compact disc–quality music service delivered via cable or satellite to commercial customers. DMX Commercial offers businesses over 100 channels of music and nearly one million song titles in a variety of languages.

Cable Advertising Services

Digital ADventure provides businesses with advertising on cable television channels which carry local information interspersed with advertising, or channels dedicated to specific markets, such as home shopping and real estate listings. It also provides contracted advertisement production for external parties. Digital ADventure currently operates throughout Shaw's service areas.

Conventional Television

In fiscal 2000, Corus operated four conventional television stations acquired in April 2000 from Power Broadcasting: three CBC affiliates in Kingston, Peterborough and Oshawa, Ontario, and one network affiliate in Carleton, Quebec.

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal 2000 represents the Company's first year as a newly created public company. Corus commenced operations on September 1, 1999. On that date, pursuant to a statutory plan of arrangement (the "Arrangement"), Corus was separated from Shaw Communications Inc. ("Shaw") as an independently operated, publicly traded company and assumed ownership of Shaw's radio broadcasting, specialty television, digital audio services and cable advertising services businesses, as well as certain investments held by Shaw.

Management's discussion and analysis of the results of operations is a review of activities and results for the fiscal year ended August 31, 2000 as compared to the previous year, and a review of activities and results for the fiscal year ended August 31, 1999 as compared to the previous year. Comments relate to and should be read in conjunction with the audited financial statements. Certain statements in this report may constitute forward-looking statements. Such forward looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the company to be materially different from any future results, performance or achievement expressed or implied by such forward looking statements.

CREATION OF CORUS ENTERTAINMENT INC.

The assets transferred to Corus on September 1, 1999 primarily consisted of: 14 radio stations; specialty television networks – YTV, Treehouse TV and CMT (80% owned) as well as interests in TELETOON (20%), Telelatino (20%), The Comedy Network (14.95%), Liberty Digital Inc. (1.6%); and an investment in WIC Western International Communications ("WIC") (39%). Corus arranged its own credit facility and drew down $300 million which was paid over to Shaw on September 2, 1999 to complete the Arrangement. Therefore, the discussion of the business is as it was operated by Shaw for the fiscal year ended August 31, 1998 and 1999 and by Corus management for the fiscal year ended August 31, 2000.

RESULTS OF OPERATIONS

Corus manages its business in three operating segments: (1) Radio Broadcasting, (2) Specialty Programming and (3) Diversified Media (other), which includes digital audio services, cable advertising, and conventional television. Generally, Corus' financial results depend on a number of factors, including the strength of the Canadian national economy and the local economies of Corus' served markets, local market competition from other radio stations and other advertising media, government regulation and Corus' ability to continue to provide popular programming. Corus' radio broadcasting business and conventional television generate revenues from local and national advertising. Corus' specialty television business derives its programming revenue from affiliate subscriber fees and advertising. Higher program ratings in radio as well as in specialty and conventional television will generate increased revenues from resulting increases in advertising rates. Digital ADventure derives its revenue from conventional advertisers and DMX Commercial derives its revenue from licensing fees.

Operating, general and administrative expenses include costs relating to programming (both the cost of programming produced by third parties and our own production costs), employee remuneration, regulatory license fees, establishing and maintaining technical facilities, maintenance, research, advertising, general administration and overhead costs. Approximately 32% and 24% of operating, general and administrative expenses in fiscal 2000 consisted of employee remuneration and programming costs, respectively. Investments over which Corus exercises significant influence are accounted for using the equity method, and other investments are recorded at cost, including those held in trust pending CRTC approval. The investments in TELETOON Canada Inc. and Telelatino Network Inc. are accounted for using the equity method and the investment in The Comedy Network is recorded at cost.

The following table sets forth certain financial information for each of the years in the three years ended August 31. The audited financial statements include the consolidated balance sheet of Corus Entertainment Inc. as at August 31, 2000 and the consolidated balance sheet of Shaw Communications Inc. – Corus Entertainment Division as at August 31, 1999 and the consolidated statements of income, retained earnings, net investment and cash flows for each of the years in the three-year period ended August 31, 2000.

CONSOLIDATED SUMMARY OF THE COMPANY'S OPERATING GROUPS

Years ended August 31 (millions of Canadian dollars except for percentages)	2000	%
Revenues		
Programming	110.0	48.0
Radio	86.2	37.6
Diversified Media (other)	33.0	14.4
	229.2	100.0
Direct operating expenses		
Programming	75.4	32.9
Radio	59.5	26.0
Diversified Media (other)	24.8	10.8
Corporate overhead	4.0	1.7
	163.7	71.4
EBITDA		
Programming	34.6	15.1
Radio	26.7	11.6
Diversified Media (other)	8.2	3.6
Corporate	(4.0)	(1.7)
EBITDA	65.5	28.6
Depreciation	9.0	3.9
Amortization	13.4	5.8
Interest expense	30.4	13.2
Asset writedown	–	–
Gain on sale of investments	(197.7)	–
Other (revenue)	(9.5)	–
Income (loss) before taxes	219.9	–
Income taxes	65.8	–
Income (loss) before equity earnings from investees & minority interest	154.1	–
Equity earnings from investees	2.1	–
Minority interest	(0.2)	–
Net income (loss)	156.0	–

				% Increase (decrease)	
				2000 over	1999 over
1999	%	1998	%	1999	1998
87.3	53.7	73.7	50.4	26.0	18.5
51.6	31.8	51.6	35.3	67.0	–
23.5	14.5	20.9	14.3	40.4	12.4
162.4	100.0	146.2	100.0	41.1	11.0
64.2	39.5	55.6	38.0	17.5	15.5
34.1	21.0	33.8	23.1	74.5	0.9
15.0	9.2	13.2	9.0	65.3	13.6
–	–	–	–	–	–
113.3	69.7	102.6	70.1	44.5	10.5
23.1	14.2	18.1	12.4	49.8	27.6
17.5	10.8	17.8	12.2	52.6	(1.7)
8.5	5.2	7.7	5.3	(3.5)	10.4
–	–	–	–	–	–
49.1	30.2	43.6	29.9	33.4	12.6
6.0	3.7	5.2	3.5	50.0	15.4
7.4	4.5	6.8	4.6	81.1	8.8
27.0	16.6	16.8	11.5	12.6	60.7
–	–	22.3	–	–	–
–	–	–	–	–	–
(2.0)	–	(2.9)	–	375	(31.0)
10.7	–	(4.6)	–	1,955	332.0
4.7	–	–	–	1,300	–
6.0	–	(4.6)	–	2,468	230.0
1.5	–	0.4	–	40	275.0
(0.1)	–	(0.1)	–		–
7.4	–	(4.3)	–	2,008	272.1

HIGHLIGHTS FOR FISCAL 2000

Operations

- Revenue from operations increased by 41% to $229 million in 2000.
- Income before interest, taxes, depreciation and amortization (EBITDA) increased by 33.4% to 65.5 million in 2000.
- Operating margins were 28.6% compared to 30.2% in 1999.
- The cumulative weekly audience for Corus radio stations increased from 2.7 million listeners to 6.9 million, an increase of 155%.
- The number of subscribers to Treehouse TV increased to approximately 4.7 million, an increase of 10%.

Financial

- Liberty Media acquired 7,125,000 Class B shares on March 31 for $199 million as part of the purchase of assets by the Company from WIC.
- The sale of shares in Liberty Digital Inc. and CTV Inc. generated a pre-tax gain of $187 million.

Acquisitions/Divestitures

- Seventeen radio and four television stations were acquired in Ontario and Quebec from Power Broadcasting Inc. for $114 million.
- The 48% ownership position in Headline Sports was sold to Alliance Atlantis Communications for a pretax gain of $11.3 million.
- On March 31 we completed the purchase of the radio and pay-television assets from WIC.
- We entered into a joint marketing agreement with the Canadian Broadcasting Corporation to provide Digital Music.
- We acquired a 29.9% interest in Belcand Mount Royal Holdings Inc., which indirectly owns five radio stations in Montreal and one in the Laurentians, and entered into an agreement to acquire the remaining 70.1% interest subject to CRTC approval.

FISCAL 2000 COMPARED TO FISCAL 1999

Consolidated revenues increased from $162.4 million to $229.2 million, an increase of 41.1% reflecting the exceptional growth in Programming and the additional revenue from acquisitions in the Radio and Other groups. Operating, general and administrative expenses increased from $113.3 million to $163.7 million, an increase of 44.5%. Expenses were also impacted by our acquisition program. Income before interest, taxes, depreciation and amortization increased to $65.5 million from $49.1 million last year, an increase of 33.4%. Our EBITDA margins were 28.6% compared to 30.2% last year.

Radio Broadcasting

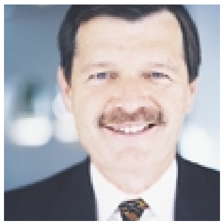
Radio revenue grew from $51.6 million in 1999 to $86.2 million in 2000, an increase of 67%. In 1999 Corus owned 11 radio stations. The number increased to 43 stations by the end of the fiscal year with the addition of three stations in London, Ontario in September 1999, 17 stations in April 2000 in Ontario (11) and Quebec (6) through the Power Broadcasting acquisition and 12 more stations across Canada with the WIC acquisition in July 2000. The 67% growth in revenue is 62% from acquisitions and 5% from organic growth. Expenses increased from $34.1 million in 1999 to $59.5 million in 2000, an increase of 74.5%. The increase was driven by the addition of a number of stations. EBITDA as a percent of revenues was 31% in 2000 and 33.9% in 1999.

The CRTC licenses and regulates radio stations in Canada. In 1998 the CRTC imposed a policy that requires AM and FM stations to air 35% Canadian content for all popular music selections. Corus is in compliance with this policy.

Programming

The Programming division consists of: specialty television networks YTV, Treehouse TV and Corus' 80% interest in CMT (Country Music Television); pay-television channels Superchannel, MovieMax! and Viewer's Choice (a pay-per-view service) as well as Corus' 80% interest in DMX Residential (a digital audio service).

OUR FIRST YEAR AS A NEW PUBLIC COMPANY WAS EXCITING AND CHALLENGING, WITH LOTS OF HARD WORK BY A SMALL BUT VERY TALENTED AND DEDICATED FINANCIAL TEAM. WE ARE LOOKING FORWARD TO AN EQUALLY EXCITING YEAR TWO.
TOM PEDDIE, SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER



Programming revenues grew from $87.3 million in 1999 to $110.0 million in 2000, an increase of 26%. All of the programming services contributed to the strong growth. The growth was due to acquisitions as well as increased affiliate revenue from the increase in DTH (Direct to Home) subscribers and increased advertising revenue. The 26% growth in revenues is 11% from acquisitions and 15% from organic growth. The results also include 12 months of Treehouse TV revenues in fiscal 2000 compared to 10 months in fiscal 1999. Expenses were $75.4 million compared to $64.2 million last year, an increase of 17.5%. EBITDA profit and margins increased from $23.1 million to $34.6 million and 26.5% to 31.4%, respectively, reflecting the increase in revenue and the control of expenses.

Diversified Media (Other)

Other includes the operations of Digital ADventure, a cable advertising service, DMX Commercial, a digital audio service, and four conventional television stations that were acquired from Power Broadcasting Inc.

Revenue grew from $23.5 million in 1999 to $33.0 million in 2000, an increase of 40%. The 40% growth in revenue is 35% from the four new television stations and 5.0% from organic growth in Digital ADventure and DMX Commercial.

Expenses increased from $15.0 million in 1999 to $24.8 million in 2000, an increase of 65.3%. The increase resulted primarily from the acquisition of conventional television and the cable access fee paid to Shaw for Digital ADventure. EBITDA decreased from $8.5 million to $8.2 million and margins dropped from 36.2% to 24.8%, reflecting the increase in revenue and the additional access fees for carriage paid to Shaw.

Corporate Overhead

Corporate overhead in fiscal 2000 was $4 million, compared to nil last year. Corporate overhead is the incremental cost that is not allocated to the operating divisions and is now incurred by Corus to operate as a stand-alone entity and not as a division of Shaw.

Depreciation

Depreciation increased from $6.0 million in 1999 to $9.0 million in 2000, an increase of 50%. This is a result of the increase in Corus' capital asset base from acquisitions made in fiscal 2000.

Amortization

Amortization increased from $7.4 million in 1999 to $13.4 million in 2000, an increase of 81%. Amortization includes amortization of goodwill and broadcast licenses. Goodwill and broadcast licenses increased from $242.6 million in 1999 to $757.7 million in 2000 as a result of the various acquisitions.

Interest Expense

Interest expense increased from $27.0 million in 1999 to $30.4 million in 2000. Interest expense includes interest paid on long-term debt, commitment fees, and cost of hedging. Our effective interest rate for the year was 10.2%, compared to 9% in 1999.

Gain on Sale of Investments

The Company realized a pretax gain of $197.7 million in fiscal 2000 on the sale of investments. There were no gains in 1999. The gain consisted of $11.3 million on the sale of Headline Sports, $105.2 million on the sale of the shares of Liberty Digital Inc. and $81.2 million on the sale of the shares of CTV Inc.

Other Revenue

Other revenue consists of interest income on investments and dividend income. Other revenue in 2000 was $9.5 million compared to $2.0 million last year, an increase of 375%. The effective interest rate on invested cash was 5.63% in fiscal 2000. Last year's other revenue consisted of dividend income from the investment in WIC.

Income Taxes

The effective tax rate in fiscal 2000 was 30%, compared to 44% in fiscal 1999. The lower tax rate in fiscal 2000 is a result of the lower effective capital gains rate applied to our significant gain on the sale of investments.

Equity Earnings from Investees

Equity earnings from investees increased from $1.5 million in 1999 to $2.1 million in fiscal 2000, an increase of 40%. The increase was primarily a result of improved earnings from TELETOON.

Net Income

Net income increased from $7.4 million in 1999 to $156.0 million in 2000, an increase of 2,008%. The significant increase in net income was a result of the gain on sale of investments.

FISCAL 1999 COMPARED TO FISCAL 1998

Consolidated revenues increased from $146.2 million to $162.4 million, an increase of 11%. The increase in revenues was driven by the performance in the Programming Division, which increased $13.6 million. Operating, general and administrative expenses increased from $102.5 million to $113.3 million in 1999, an increase of 10.5%. The increased costs reflect the additional cost of programming expenses in the Programming Division. Income before interest, taxes, depreciation and amortization increased to $49.1 million from $43.7 million in 1998, an increase of 12.3%. Our EBITDA margins improved from 29.9% to 30.2%.

Radio Broadcasting

Radio revenue was $51.6 million in 1999, compared to $51.6 million in 1998. The Radio Division was successful in maintaining its revenue at essentially the same level as fiscal 1998 despite increased competition from other stations, as well as the new specialty television services and an industry wide decline in national sales activity. Expenses increased from $33.8 million in 1998 to $34.1 million in 1999. The Company maintained its margins at 34% through effective cost control programs and EBITDA was $17.5 million.

Programming

Programming revenues grew from $73.7 million in 1998 to $87.3 million in 1999, an 18.5% increase. Despite the impact of competition and a general decline in national advertising activity in the last half of the fiscal year, YTV and CMT experienced advertising revenue growth of 8.6% and 17.3%, respectively. Treehouse TV, an advertising-free service targeted toward pre-school aged children, was launched on November 1, 1997 and completed a one-year free preview period on October 31, 1998. After that date, Treehouse commenced charging affiliate fees to cable television and other operators who distribute the service to their customers, and achieved positive operating income during the third quarter of fiscal 1999.

Programming expenses in 1999 were $64.2 million, compared to $55.6 million in 1998, an increase of 15.5%. EBITDA profit increased from $18.1 million to $23.1 million in 1999, an increase of 27.6%. YTV and CMT accounted for approximately 67% of the increase in EBITDA, while the balance of the increase relates to Treehouse. EBITDA margins in 1999 were 26.5%, compared to 24.6% in 1998.

Diversified Media (Other)

Other includes the operations of DMX, a digital audio services business operating under the DMX brand name, and Digital ADventure, a cable advertising service.

Other revenue was $23.5 million in 1999, compared to $20.9 million in 1998, an increase of 12.4%. DMX Commercial grew by 17.5% to 5,700 customers, the majority of which are local accounts with multi-year agreements. DMX Commercial excelled in the past year, selling in excess of $1 million in audio equipment. Digital ADventure revenue increased by 2.5% despite a very competitive market for local and national advertising during the past year.

Other expenses were $15.0 million in 1999, compared to $13.2 million in 1998, an increase of 13.6%. Following the arrangement to split Corus from Shaw, Corus will pay an access fee to Shaw with respect to access services provided to Digital ADventure. Corus' management estimates such fees to be approximately $3 million annually.

Other EBITDA was $8.5 million in 1999, compared to $7.7 million in 1998, an increase of 10.4%. EBITDA margin was 36.2% in 1999, compared to 36.8% in 1998.

Depreciation

Depreciation was $6.0 million in 1999, compared to $5.2 million in 1998. The modest increase was a result of increased capital expenditures.

Amortization

Amortization was $7.4 million in 1999, compared to $6.8 million in 1998, an increase of 8.8%. The increase related to the amortization of start up and programming costs of Treehouse TV, which began in fiscal 1999.

Interest Expense

Interest expense increased from $16.8 million in 1998 to $27.0 million in 1999, an increase of 60.7%. Interest expense has been allocated to Corus based on an average debt of $300 million in 1999 and an average debt of $187 million in 1998, at Shaw's average cost of borrowing of 9%.

Asset Writedown

In 1998 Corus recorded a $22.3 million writedown in the carrying value of the investment in Liberty Digital Inc. due to prolonged periods of the carrying value being in excess of market value.

Other Revenue

Other revenue consists of interest and dividend income received from investments. Other revenue was $2.0 million in 1999, compared to $2.9 million in 1998, a decrease of 31%. The decrease was a result of WIC suspending dividend payments in the second quarter of fiscal 1999.

Income Taxes

Income tax expense in fiscal 1999 of $4.7 million was comprised of current income tax expense of $7.0 million and future income tax recovery of $2.3 million. This represented 44% of income before income taxes. The difference from the statutory tax rate of approximately 45% related to dividend income which is not taxable of $0.9 million, offset by depreciation and amortization on amounts assigned to capital assets on business acquisitions not deductible for tax purposes of $0.8 million.

Equity Earnings from Investees

Equity earnings from investees increased $1.1 million or 275% to $1.5 million in fiscal 1999 from $0.4 million in fiscal 1998. This increase was primarily a result of improved earnings from TELETOON.

Net Income (Loss)

Net income of Corus increased $11.7 million to $7.4 million in fiscal 1999 from a net loss of $4.3 million in fiscal 1998, as a result of the reasons noted above.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Corus Entertainment Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Corus Entertainment Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring the management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

John M. Cassaday
President and
Chief Executive Officer

Thomas C. Peddie
Senior Vice President and
Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CORUS ENTERTAINMENT INC.

We have audited the consolidated balance sheet of Corus Entertainment Inc. (the "Company") as at August 31, 2000 and the consolidated statements of income, retained earnings and cash flows for the year then ended and the consolidated balance sheet of Shaw Communications Inc. – Corus Entertainment Division (the "Division") as at August 31, 1999 and the consolidated statements of income (loss), net investment and cash flows for each of the years in the two-year period ended August 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2000, and the results of its operations and its cash flows for the year then ended and the financial position of the Division as at August 31, 1999 and the results of its operations and its cash flows for each of the years in the two-year period ended August 31, 1999 in accordance with accounting principles generally accepted in Canada.

As more fully described in note 1, the Division comprised the entertainment division of Shaw Communications Inc. The Division had no legal status until September 1, 1999 when it became a separate, publicly traded company bearing the name Corus Entertainment Inc.

Ernst & Young LLP

Toronto, Canada
October 10, 2000

Ernst & Young LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEETS

(SEE BASIS OF PRESENTATION – NOTE 1)

As at August 31 (thousands of Canadian dollars)	2000	1999
ASSETS		
Current		
Cash and cash equivalents	372,348	261
Accounts receivable (note 4)	72,076	31,777
Income taxes recoverable	1,428	1,140
Prepaid expenses and other	9,820	9,083
Program and film rights	30,215	9,832
Future tax asset (note 12)	–	10,048
Total current assets	485,887	62,141
Investments and other assets (notes 3 and 5)	76,177	516,152
Capital assets, net (note 6)	67,401	30,530
Program and film rights	8,049	7,668
Film investments	3,494	–
Deferred charges (note 7)	15,054	3,422
Broadcast licenses and goodwill (note 8)	757,733	242,624
	1,413,795	862,537
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 9)	69,014	9,992
Income taxes payable	12,767	7,025
Future tax liability (note 12)	6,904	–
Current portion of long-term debt (note 10)	3,000	–
Total current liabilities	91,685	17,017
Long-term debt (notes 1 and 10)	294,355	300,000
Deferred credits	36,949	–
Future tax liability (note 12)	162,994	73,747
Minority interest	1,134	934
Total liabilities	587,117	391,698
Net investment by Shaw (note 1)	–	470,839
Shareholders' equity		
Share capital (note 11)	670,694	–
Retained earnings (note 1)	155,984	–
Total shareholders' equity	826,678	–
	1,413,795	862,537

Commitments (note 17)

See accompanying notes

On behalf of the Board:

John M. Cassaday
Director

Heather A. Shaw
Director

CONSOLIDATED STATEMENTS OF INCOME (LOSS), RETAINED EARNINGS/NET INVESTMENT

Years ended August 31 (thousands of Canadian dollars)	2000	1999	1998
Revenues	229,230	162,379	146,185
Operating, general and administrative expenses	163,694	113,288	102,535
Operating income before the following	65,536	49,091	43,650
Depreciation (note 6)	8,995	6,023	5,203
Amortization (notes 7 and 8)	13,383	7,442	6,774
Interest on long-term debt (note 1)	30,445	27,000	16,825
Asset writedown (note 5)	–	–	22,323
Gain on sale of investments (note 5)	(197,679)	–	–
Other income	(8,264)	–	–
Dividend income from investees	(1,190)	(2,077)	(2,835)
Income (loss) before income taxes	219,846	10,703	(4,640)
Income taxes (note 12)	65,770	4,716	(70)
Income (loss) before equity earnings from investees and minority interest	154,076	5,987	(4,570)
Equity earnings from investees	2,108	1,507	403
Minority interest	(200)	(119)	(117)
Net income (loss)	155,984	7,375	(4,284)
Retained earnings/net investment, beginning of year (note 1)	–	395,255	261,429
Investment by Shaw during the year	–	68,209	138,110
Retained earnings/net investment, end of year (note 1)	155,984	470,839	395,255
Earnings per share (notes 1 and 2)			
Basic	$4.67	–	–
Fully diluted	$4.59	–	–
Weighted average number of shares outstanding (thousands of shares)			
Basic	33,379	–	–
Fully diluted	34,096	–	–

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31 (thousands of Canadian dollars)	2000	1999	1998
OPERATING ACTIVITIES			
Net income (loss)	155,984	7,375	(4,284)
Non-cash items			
Depreciation	8,995	6,023	5,203
Amortization	13,383	7,442	6,774
Amortization of program and film rights	21,141	24,240	15,767
Future income taxes	54,171	(2,309)	(9,850)
Asset writedown	–	–	22,323
Gain on sale of investments	(197,679)	–	–
Equity earnings from investees, net of dividends received	(2,108)	(627)	(403)
Minority interest	200	119	117
Other	217	–	–
Cash flow from operations	54,304	42,263	35,647
Net change in non-cash working capital balances related to operations (note 15)	19,747	(6,899)	(11,333)
Cash provided by operating activities	74,051	35,364	24,314
INVESTING ACTIVITIES			
Additions to capital assets	(9,975)	(6,535)	(8,308)
Net proceeds from sale of investments	654,094	–	–
Business acquisitions, net of deposits (notes 3 and 5)	(239,361)	–	–
Acquisition of investments, net of share consideration by Shaw	(63,654)	(59,754)	(209,739)
Payment of program rights and film investments	(32,241)	(26,430)	(20,134)
Additions to deferred charges	(8,907)	(1,624)	(2,465)
Dividends received	860	–	–
Other	(163)	–	–
Cash provided by (used in) investing activities	300,653	(94,343)	(240,646)
FINANCING ACTIVITIES			
Increase (decrease) in bank overdrafts	–	(8,969)	7,823
Increase (decrease) in net investment by Shaw	–	68,209	(91,491)
Increase in long-term debt	336	–	300,000
Repayment of long-term debt	(2,953)	–	–
Cash provided by (used in) financing activities	(2,617)	59,240	216,332
Net increase in cash during the year	372,087	261	–
Cash and cash equivalents, beginning of year	261	–	–
Cash and cash equivalents, end of year	372,348	261	–
Cash flow from operations per share (note 2)			
Basic	$1.63	–	–
Fully diluted	$1.59	–	–

Supplementary cash flow disclosures (note 15)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2000, 1999 AND 1998

1. BASIS OF PRESENTATION

Corus Entertainment Inc. ("Corus" or the "Company") is incorporated under the *Canada Business Corporations Act*. Its shares are listed on the Toronto and New York Stock Exchanges. The Company is a diversified Canadian communications and media broadcasting company. The consolidated financial statements have been prepared by management on the historical cost basis in accordance with accounting principles generally accepted in Canada.

Until August 31, 1999, Corus had no legal status or existence as it operated as the Corus Entertainment Division (the "Division") of Shaw Communications Inc. ("Shaw").

Effective September 1, 1999, the shareholders of Shaw approved an arrangement (the "Arrangement") to divide Shaw into two separate public corporations, Shaw Communications Inc. and Corus Entertainment Inc. The Arrangement resulted in the transfer of the Division to Corus.

Prior to the Arrangement, all of the Division's debt and financing was provided by Shaw. The cumulative net total of this financing was, exclusive of $300,000,000 debt described in the following paragraph, represented in the Division's accounts as Net investment by Shaw of $470,839,000 as at August 31, 1999. As part of the Arrangement, Shaw's net investment was exchanged for 1,907,665 Class A Voting and 28,492,618 Class B Non-Voting Shares of Corus for a total of $470,839,000 (note 11). The Arrangement has been accounted for on a continuity of interests basis, whereby the Company's share capital is based on the carrying amount of the Division's net assets. As a consequence of the capitalization of the Company, earnings per share are only applicable for the period subsequent to August 31, 1999.

Upon effecting the Arrangement, Corus drew down $300,000,000 on its own credit facility and repaid the $300,000,000 debt owing to Shaw. The allocation of $300,000,000 in debt by Shaw is reflected on the Division's consolidated balance sheet as at August 31, 1999. Interest was allocated to the Division for fiscal 1999 based on an average of $300,000,000 in debt at Shaw's average cost of borrowing at 9% per annum for the year ended August 31, 1999.

For comparative purposes, the financial statements of the Division are presented as at August 31, 1999 and for the years ended August 31, 1999 and 1998. The divisional financial statements are not necessarily indicative of the results of operations, cash flows or financial position had the Division operated as an independent entity as at or for the dates and periods presented.

The Company includes the following consolidated business entities and investments:

Consolidated business entities –

Corus Radio Company
Corus Premium Corporation
YTV Canada, Inc.
Treehouse TV
591987 B.C. Ltd.
591989 B.C. Ltd.
591991 B.C. Ltd.
591992 B.C. Ltd.
Country Music Television (80% interest)
DMX Partnership (80% interest)
Digital ADventure
Sound Products Ltd.
United Broadcast Sales Limited

Investments, at equity –

Telelatino Network Inc. (20% interest)
TELETOON Canada Inc. (20% interest)
Metromedia CMR Broadcasting Inc. (29.9% interest)
Balmur Corus Music (50% interest)

Investments, at cost –

The Comedy Network Inc. (14.95% interest)

Nelvana Limited (6.7% interest)

The Family Channel Inc. (50% interest), including its 40% interest in TELETOON Canada Inc. (subject to CRTC approval)

The Food Network Canada (10% voting control)

Investments, proportionately consolidated –

Shaw/Corus Investment Partnership

The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada consistently applied within the framework of the significant accounting policies described below:

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Radio, programming and other media advertising revenues are recognized in the period in which the advertising is aired under broadcast contracts.

Affiliate subscriber fee revenues are recognized to the extent that the service has been made available under distribution contracts.

Revenues from film investments are recognized once the licensing period begins, the film is delivered and collection is reasonably assured.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term deposits with maturities of less than three months.

Investments

Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Investments in joint ventures and partnerships which the Company jointly controls are accounted for using the proportionate consolidation method of accounting. Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

Acquisitions subject to the Canadian Radio-television and Telecommunications Commission ("CRTC") approval are recorded at cost until approval is received and then accounted for according to the nature of the investment made.

Capital Assets

Capital assets are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Estimated useful life
Broadcasting head-end equipment	10 years
Production equipment	5 years
Leasehold improvements	lease term
Buildings	20 years
Other	4 to 10 years

Program and Film Rights

Program and film rights represent costs of rights to programs and feature films. The assets and liabilities related to these rights are recorded when the cost of the rights is known or reasonably determinable, the program material is accepted by the Company in accordance with the license agreement and the material is available to the Company for airing. These costs are amortized to operations over time as the program or feature films are aired. Program and film rights are carried at the lower of cost less accumulated amortization and net recoverable amount.

Company produced programs are recorded at cost, including direct production costs and an appropriate share of overhead. These costs are included in program rights and are fully amortized as played, over a maximum period of three years. Any revenue earned relating to the sale of these programs is recorded as program distribution revenue over the term of the related sales contracts.

Amortization of program and film rights is included in operating, general and administrative expenses and has been disclosed separately in the consolidated statements of cash flows.

Film Investments

Film investments are recorded at cost. The individual film forecast computation method is used to amortize film costs. Amortization for each film is calculated based on the ratio of current revenues to total estimated revenues. As the estimating process is affected by uncertainties as to future film revenues, cost is often used as the initial film revenue estimate. Estimates of future revenues and net realizable values are reviewed on a regular basis. If it is determined that future revenues are insufficient to recover net carrying amount, a film investment is reduced to its net realizable value.

Amortization of film investments is included in operating, general and administrative expenses.

Deferred Charges

Financing costs and credit facility arrangements are amortized to income over the term of the debt facility.

Start-up costs for the preparation of new applications to the CRTC are deferred prior to approval by the CRTC. The costs associated with unsuccessful applications are expensed. Start-up costs for licenses of successful applications which are awarded by the CRTC are capitalized from the date they are awarded to the date revenue is generated for the service. Start-up costs are amortized over a period which reflects their expected future benefit, not exceeding the term of the licenses.

Broadcast Licenses and Goodwill

The cost of acquiring radio and programming network businesses is allocated to the fair value of related net identifiable tangible and intangible assets acquired. Net identifiable intangible assets acquired consist primarily of broadcast licenses. The excess of the cost of acquiring radio and programming businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Amounts allocated to broadcast licenses and goodwill are amortized on a straight-line basis over 40 years. The Company reviews the valuation and amortization periods of goodwill whenever events or changes in circumstances warrant such a review. In doing so, the Company evaluates whether there has been a permanent impairment in the value of unamortized goodwill based on the estimated undiscounted cash flows of each business to which the goodwill relates.

Deferred Credits

Deferred credits include a provision for contributions to Canadian broadcasting initiatives that must be made by a purchaser of specialty television, pay television, and radio undertakings in accordance with CRTC policies ("CRTC benefits") associated with acquiring radio and programming businesses and foreign exchange gains on translating long-term debt. The provision for CRTC benefits will be drawn down when the Company makes eligible payments towards meeting the conditions of license.

Income Taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Foreign Currency Exchange

Long-term debt denominated in U.S. dollars is translated into Canadian dollars at the year end rate of exchange. Exchange gains or losses on translating long-term debt are deferred, except for hedged debt, and are amortized on a straight-line basis over the remaining term of the debt.

Financial Instruments

The Company uses derivative financial instruments to manage risks from fluctuations in exchange and interest rates. These instruments include interest rate and cross-currency exchange agreements. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments as hedges and as a result the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to the management of interest risks are recognized in interest expense over the term of the instrument. Foreign exchange gains or losses arising on cross-currency agreements used to hedge U.S. dollar denominated debt are deferred until maturity of the agreement at which time they are offset by the foreign currency hedge. If the Company's exchange agreements ceased to be effective as hedges, for example, if current interest rate and current exchange rates varied significantly from the hedged rates, previously unrecognized gains or losses pertaining to the hedging transactions would be recognized in income at the time the hedge ceases to be effective.

Stock-Based Compensation

No compensation expense is recognized for stock options granted under the Company's Stock Option Plan. Consideration paid by employees and senior officers on the exercise of stock options is credited to share capital. Consideration paid by the Company under the Company's Employee Share Purchase Plan is included in operating, general and administrative expenses.

Earnings per Share

Basic and fully diluted earnings per share have been calculated using the weighted average number of Class A Voting and Class B Non-Voting Shares outstanding during the year. For purposes of determining fully diluted earnings per share, the weighted average number of Class A Voting and Class B Non-Voting Shares outstanding has been calculated as though all the dilutive options had been exercised at the beginning of the year, or date of issuance, if later.

Basic and fully diluted cash flow from operations per share have been calculated using the cash flow from operations before the net change in non-cash working capital balances related to operations.

Pension Costs and Obligations

Pension costs for defined benefit pension plans are actuarially determined using the projected benefit method pro rated on services. Adjustments to pension costs are amortized to income on a straight-line basis over the expected average remaining service life of pension plan members. Market-related values of pension fund assets are calculated using a five-year moving average of year end market prices.

3. BUSINESS COMBINATIONS AND INVESTMENTS

During the year, the Company completed a number of acquisitions which are summarized below:

(thousands of Canadian dollars except for share amounts)	Blackburn Broadcasting (a)	Power Broadcasting Inc. (b)	WIC (c)	Other	Total
Effective date acquired	Sept. 1999	April 2000	July 2000		
Percentage acquired	(i)	(i)	100%		
Cash, including transaction costs, net of cash acquired					
Fiscal 2000	403	114,296	120,873	3,789	239,361
Prior years	41,606	–	–	–	41,606
Class B Non-Voting Shares of the Company	–	–	199,856	–	199,856
	42,009	114,296	320,729	3,789	480,823
Integration and transaction costs	–	–	21,551	–	21,551
Total consideration after integration and transaction costs	42,009	114,296	342,280	3,789	502,374
Assigned value of assets and liabilities acquired					
Capital assets	221	14,795	40,917	79	56,012
Goodwill	–	87,485	252,495	3,438	343,418
Broadcast licenses	40,610	22,670	119,844	–	183,124
Non-cash working capital	1,178	5,548	(2,600)	272	4,398
Deferred credits	–	(8,050)	(24,500)	–	(32,550)
Future tax liability	–	(8,152)	(43,876)	–	(52,028)
	42,009	114,296	342,280	3,789	502,374
Number of Class B Non-Voting Shares issued	–	–	7,125,000	–	7,125,000

(i) These acquisitions were asset purchases.

Integration costs only include costs directly related to the acquisition which are incremental to the Company and were identified at the time of the acquisition. Generally, integration costs include costs for workforce reductions identified at acquisition.

(a) Blackburn Broadcasting

Effective September 1, 1999, the Company acquired London, Ontario radio stations CFPL-AM, CFPL-FM and CFHK-FM ("Blackburn Broadcasting") for $41,606,000 plus a settlement deposit of $403,000.

(b) Power Broadcasting Inc.

Effective March 31, 2000, the Company acquired 17 radio stations and four television stations in the provinces of Ontario and Quebec of Power Broadcasting Inc. for $24,146,000 plus redeemable preference shares of $90,150,000. The redeemable preference shares were redeemed for cash on July 17, 2000.

(c) WIC Western International Communications Ltd. ("WIC")

Effective July 6, 2000, the Company received CRTC approval to complete the acquisition of the radio broadcasting stations, certain pay and specialty television undertakings and certain other related assets of WIC for a total consideration after integration costs of $342,280,000, of which $199,856,000 was satisfied through the issuance of 7,125,000 Class B Non-Voting Shares of the Company at a price of $28.05 per share and the balance in cash. This transaction was undertaken in two steps. First, Corus sold its interest in WIC to CanWest Global Communications Corp. ("CanWest") for a cash purchase price of $424,770,000. Corus then acquired the shares of United Broadcast Sales Ltd. and WIC Premium Corporation which included (i) the radio broadcasting stations formerly owned by WIC Radio Ltd. and (ii) the pay and specialty undertakings formerly owned by WIC Premium Television Ltd. The Class B Non-Voting Shares of the Company issued to a subsidiary of CanWest were subsequently sold to the Liberty Media Group for $199,856,000. These shares represent approximately 19% of the outstanding Class B Non-Voting Shares of the Company. The transaction closed on March 31, 2000 and the assets were being managed under a trust agreement until CRTC approval was granted.

The CRTC did not grant Corus the right to acquire WIC's 50% ownership in The Family Channel Inc. and its direct 40% ownership interest in TELETOON Canada Inc. Accordingly, these investments have been accounted for at cost.

(d) Proforma information – unaudited

If the acquisitions completed during the year ended August 31, 2000 had occurred on September 1, 1999, the Company's unaudited proforma consolidated revenues, net income for the year and basic earnings per share would have been $369,969,000, $172,999,000 and $5.18, respectively for the year ended August 31, 2000. No acquisitions were completed during the years ended August 31, 1999 and 1998.

4. ACCOUNTS RECEIVABLE

(thousands of Canadian dollars)	2000	1999
Trade	73,053	32,223
Other	1,212	720
	74,265	32,943
Less allowance for doubtful accounts	2,189	1,166
	72,076	31,777

5. INVESTMENTS AND OTHER ASSETS

(thousands of Canadian dollars)	2000	1999
Investments, proportionately consolidated		
Shaw/Corus Investment Partnership	2,343	–
Investments, at equity		
Telelatino Network Inc. (20% interest)	1,543	1,097
TELETOON Canada Inc. (20% interest)	1,871	1,071
Metromedia CMR Broadcasting Inc. (29.9% interest)	39,474	–
Balmur Corus Music (50% interest)	3,500	–
Investments, at cost		
Specialty programming networks –		
Headline Sports Television Network	–	6,383
The Comedy Network Inc. (14.95% interest)	1	1
WIC Western International Communications Ltd. (note 3(c))	–	437,502
CTV Inc.	–	17,437
Liberty Digital Inc.	–	8,400
The Family Channel Inc. (50% interest) (note 3(c))	6,832	–
Nelvana Limited (6.7% interest) (market value – $22,613)	15,530	–
Blackburn Broadcasting (note 3(a))	–	41,605
Employee home relocation mortgages and investment loans	1,496	1,979
Other	3,587	677
	76,177	516,152

Headline Sports Television Network

Effective October 27, 1999, the Company disposed of its 47.8% interest in Headline Sports Television Network for proceeds, net of disposition costs, of $16,376,000 which resulted in a pre-tax gain of $11,288,000.

CTV Inc./Liberty Digital Inc./Shaw/Corus Investment Partnership (the "Partnership")

Effective January 28, 2000, the Company acquired Shaw's interest in 4,848,113 common shares of CTV Inc., representing approximately 8.37% of the outstanding shares of CTV Inc. The aggregate consideration of $117,127,000 was satisfied by a cash payment of $3,218,000 plus the transfer by the Company of 1,400,000 shares of Series A common stock, par value of $0.01 per share, of Liberty Digital Inc. to the Partnership which resulted in a pre-tax gain on the disposition of the Liberty Digital Inc. stock of $105,286,000. The Partnership was established to manage investments in which the Company and Shaw both share common economic interests. The Partnership together with Corus held an aggregate of 5,637,925 CTV Inc. shares (representing approximately 9.74% of the outstanding CTV Inc. shares) following the completion of the transaction. On April 5, 2000, the Partnership tendered its 9.74% interest in CTV Inc. at a price of $38.50 per share to 1406236 Ontario Inc., a corporation wholly owned by BCE Inc., resulting in a pre-tax gain of $81,105,000.

In 1998, the Division recorded a writedown of $22,323,000 in the carrying value of its investment in Liberty Digital Inc. due to prolonged periods of carrying value being in excess of market value.

Nelvana Limited

Effective June 6, 2000, the Company acquired 675,000 Subordinate Voting Shares of Nelvana Limited, an animation producer, at $23.00 per share for total consideration of $15,530,000 including transaction costs.

Balmur Corus Music

Effective July 20, 2000, the Company paid $3,500,000 for its 50% interest in Balmur Corus Music ("BCM"), a joint venture. BCM will focus on developing opportunities in the country music entertainment business in Canada and the United States.

Metromedia CMR Broadcasting Inc.

Effective August 30, 2000, the Company acquired 29.9% of the outstanding shares of Belcand Mount Royal Holdings Inc., the parent holding company of Metromedia CMR Broadcasting Inc. ("Metromedia"), for $39,474,000 in cash, and entered into an agreement to acquire the remaining 70.1% for approximately $125,500,000 in cash plus the assumption of $20,000,000 in debt subject to a number of conditions, including obtaining CRTC approval.

6. CAPITAL ASSETS

(thousands of Canadian dollars)	2000		1999	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Broadcasting head-end equipment	18,324	7,837	16,937	5,908
Production equipment	24,444	10,635	16,342	5,783
Leasehold improvements	9,252	2,223	2,308	1,452
Buildings	11,249	2,607	3,195	927
Other	23,756	4,791	9,161	5,028
	87,025	28,093	47,943	19,098
Land	8,469	–	1,685	–
	95,494	28,093	49,628	19,098
Net book value	67,401		30,530	

Depreciation provided in the accounts on capital assets amounted to $8,995,000 (1999 – $6,023,000; 1998 – $5,203,000).

7. DEFERRED CHARGES

(thousands of Canadian dollars)	2000		1999	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Financing costs and credit facility arrangement fees	7,963	995	–	–
Foreign exchange gains on translating long-term debt	4,678	–	–	–
Start-up costs of new specialty programming networks	4,289	1,489	4,089	667
Other	743	135	–	–
	17,673	2,619	4,089	667
Net book value	15,054		3,422	

Amortization provided in the accounts on deferred charges amounted to $1,952,000 (1999–$667,000; 1998–nil).

8. BROADCAST LICENSES AND GOODWILL

(thousands of Canadian dollars)	2000		1999	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Broadcast licenses	454,755	37,550	271,633	29,009
Goodwill	343,418	2,890	–	–
	798,173	40,440	271,633	29,009
Net book value	757,733		242,624	

Amortization provided in the accounts on broadcast licenses and goodwill amounted to $11,431,000 (1999 – $6,775,000; 1998 – $6,774,000).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of Canadian dollars)	2000	1999
Accounts payable	13,321	5,174
Accrued liabilities	55,693	4,818
	69,014	9,992

10. LONG-TERM DEBT

(thousands of Canadian dollars)	2000	1999
Due to Shaw (note 1)	–	300,000
Bank loans	297,030	–
Other	325	–
	297,355	300,000
Less current portion	3,000	–
	294,355	300,000

On September 1, 1999, Corus entered into a $600,000,000 revolving/reducing credit facility with a syndicate of Canadian chartered banks. The first tranche of the credit facility consists of a revolving/reducing term loan expiring on August 31, 2006 for up to $600,000,000 less any amount borrowed under the second tranche. The second tranche is a reducing term loan for up to $300,000,000 or the U.S. dollar equivalent. One percent of the principal of the reducing term loan is due each year for seven years with the balance due on August 31, 2007. The revolving/reducing term loan is repayable semi-annually by amounts ranging up to 20% of the original amount such that the loan is repaid by August 31, 2006.

Funds are available under the reducing term loan in both Canadian and U.S. dollars. At August 31, 2000, the U.S. portion of the bank loan was U.S. $148,500,000, and 1% of this loan is due for repayment in 2001. The Company has entered into cross-currency interest rate agreements to fix the liability for interest and principal payments on this amount which is equivalent to Cdn. $213,840,000.

Interest rates on U.S. $148,500,000 (Cdn. $218,517,750 translated at the exchange rate at August 31, 2000) have been fixed by means of interest rate swaps at 11.4%. Interest rates on the balance of the bank loans fluctuate with the Canadian bankers' acceptances and averaged 8.2% for the year.

The banks hold as collateral a first ranking charge on all assets and undertakings of the Company. Under the credit agreement, the Company has undertaken to maintain certain financial covenants. The Company was in compliance with the covenants it made under the bank loans at August 31, 2000.

Principal repayments on long-term debt in each of the next five years and thereafter are approximately as follows:

(thousands of Canadian dollars)	
2001	3,000
2002	3,000
2003	3,000
2004	3,000
2005	3,000
Thereafter	282,355
	297,355

11. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of Class A participating shares ("Class A Voting Shares"), Class B non-voting participating shares ("Class B Non-Voting Shares"), Class A Preferred Shares, and Class 1 and Class 2 Preferred Shares.

Class A Voting Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. The Class B Non-Voting Shares are convertible into an equivalent number of Class A Voting Shares in limited circumstances.

The Class A Preferred Shares are redeemable at any time at the demand of Corus and retractable at any time at the demand of a holder of a Class A Preferred Share for an amount equal to the consideration received by Corus at the time of issuance of such Class A Preferred Shares. Holders of Class A Preferred Shares are entitled to receive a non-cumulative dividend at such rate as Corus' Board of Directors may determine on the redemption amount of the Class A Preferred Shares. Each of the Class 1 Preferred Shares, the Class 2 Preferred Shares, the Class A Voting Shares and the Class B Non-Voting Shares rank junior to and are subject in all respects to the preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A Preferred Shares including in connection with the payment of dividends.

The Class 1 and 2 Preferred Shares are issuable in one or more series with attributes designated by the Board of Directors. The Class 1 Preferred Shares rank senior to the Class 2 Preferred Shares.

In the event of liquidation, dissolution or winding up of Corus or other distribution of assets of Corus for the purpose of winding up its affairs, the holders of Class A Preferred Shares are entitled to a payment in priority to all other classes of shares of Corus to the extent of the redemption amount of the Class A Preferred Shares, but will not be entitled to any surplus in excess of that amount. The remaining property and assets will be available for distribution to the holders of the Class A Voting Shares and Class B Non-Voting Shares which shall be paid or distributed equally, share for share, between the holders of the Class A Voting Shares and the Class B Non-Voting Shares respectively, without preference or distinction.

Issued and Outstanding

The changes in the Class A Voting and Class B Non-Voting Shares since August 31, 1999 are summarized as follows:

(thousands of Canadian dollars except number of shares)	Class A Voting Shares #	$	Class B Non-Voting Shares #	$	Total $
Balance, August 31, 1999	–	–	–	–	–
Issued on completion of the Arrangement (note 1)	1,907,665	29,546	28,492,618	441,293	470,839
Conversion of Class A Voting to Class B Non-Voting Shares	(55,956)	(867)	55,956	867	–
Issued on acquisition of broadcasting assets (note 3)	–	–	7,125,000	199,855	199,855
Balance, August 31, 2000	1,851,709	28,679	35,673,574	642,015	670,694

Stock Option Plan

Under the Company's Stock Option Plan, which is subject to shareholder approval at the Annual and Special Meeting of shareholders of the Company to be held on December 12, 2000, the Company may grant options to purchase Class B Non-Voting Shares to eligible officers, directors, employees of or consultants to the Company. The maximum number of shares that can be reserved for issuance under the plan is 2,852,670 shares. All options granted are for a term of five to ten years from the grant date. The exercise price of each option equals the market price of the Company's stock on the date of the grant. Options vest 25% on each of the first, second, third and fourth anniversary dates of the date immediately preceding the date of the grant.

A summary of the options outstanding at August 31, 2000 and the changes during the year is presented below:

(Canadian dollars except number of options)	Number of options	Weighted average exercise price
Outstanding, August 31, 1999	–	–
Granted	950,550	25.48
Exercised	–	–
Cancelled	(23,300)	25.25
Outstanding, August 31, 2000	927,250	25.48

There were no options exercisable at August 31, 2000 as the plan was subject to shareholder approval.

At August 31, 2000, the outstanding options consist of the following:

Expiry date	Outstanding	Exercisable	Option price
2004	907,650	–	25.25
2005	19,600	–	36.50
	927,250	–	

On September 1, 2000, Corus granted a further 409,640 options for Class B Non-Voting Shares to eligible officers, directors, employees of or consultants to the Company. These options are exercisable at $40.25 a share.

Dividends

The holders of Class A Voting and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Voting Shares, an additional dividend at a rate of $0.01 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Voting and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

12. INCOME TAXES

(a) Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax liabilities and assets as of August 31 are as follows:

(thousands of Canadian dollars)	2000	1999
Future tax liability		
Deferred charges deducted for tax purposes but capitalized for accounting purposes	1,706	1,540
Capital cost allowance in excess of book depreciation	2,017	–
Deferred gain on sale of investment	48,275	–
Deferred partnership income	2,661	–
Differences in tax basis and accounting basis in investment	3,999	–
Broadcast licenses	126,982	74,949
Other, net	442	–
Total future tax liability	186,082	76,489
Future tax asset		
Book depreciation in excess of capital cost allowance	–	170
Employment obligations recognized on purchase equation	4,084	–
Loss carryforwards	12,100	9,704
Differences in tax and accounting cost base on investments	–	2,346
Other, net	–	570
Total future tax asset	16,184	12,790
Net future tax liability	169,898	63,699

(b) Significant components of the income tax expense (recovery) attributable to operations are as follows:

(thousands of Canadian dollars)	2000	1999	1998
Current tax expense	11,599	7,025	9,780
Future income tax expense relating to origination and reversal of temporary differences	63,508	(2,309)	(9,850)
Future income tax benefit resulting from recognition of loss carryforwards	(8,007)	–	–
Future income tax benefit resulting from rate change	(2,032)	–	–
Other	702	–	–
Income tax expense (recovery)	65,770	4,716	(70)

(c) The reconciliation of income tax attributable to continuing operations computed at the statutory tax rates to income tax expense (recovery) is as follows:

(thousands of Canadian dollars)	2000		1999		1998	
	Amount	%	Amount	%	Amount	%
Tax at combined federal and provincial tax rates	95,658	43.5	4,816	45.0	(2,088)	45.0
Differences from statutory tax rates relating to						
Amortization of goodwill not deductible for tax purposes	1,362	0.6	751	7.0	747	(16.1)
Non-deductible portion of capital gains on sale of investments	(30,263)	(13.8)	–	–	–	–
Non-deductible portion of loss on writedown of assets	–	–	–	–	2,511	(54.1)
Reduction in future income taxes resulting from decrease in effective tax rate	(2,032)	(0.9)	–	–	–	–
Other	1,045	0.5	(851)	(8.0)	(1,240)	26.7
	65,770	29.9	4,716	44.0	(70)	1.5

(d) The Company recognizes as future tax asset the benefit of investment tax credits and capital loss carryforwards to the extent it is more likely than not that the benefit will be realized. At August 31, 2000, the Company has available loss carryforwards of approximately $35,200,000 which expire between 2001 and 2007. A future tax asset of $12,100,000 has been recognized in respect of these carryforwards. In 2000, a valuation allowance of $3,200,000 has been recorded against the future tax assets related to the unutilized losses.

13. BUSINESS SEGMENT INFORMATION

Reportable business segments are based on lines of business and include (1) radio broadcasting ("radio"), (2) specialty programming ("programming") and (3) digital audio, cable advertising services and conventional television. All business activities are located in Canada.

Radio includes a number of owned radio stations across Canada. Revenues are derived from advertising aired over these stations. Programming includes interests in several specialty television networks and digital audio services for residential customers. Revenues are generated from affiliate subscriber fees and advertising. Digital audio services include commercial free music service delivered to commercial customers. Cable advertising services are provided to commercial customers on local cable systems. Conventional television includes a number of owned television stations across Canada. Revenues are derived from advertising aired over these stations.

(thousands of Canadian dollars)					2000
	Radio	Programming	Digital audio, cable advertising, conventional television	Corporate	Total
Revenues – total	86,241	110,042	32,947	–	229,230
Income before depreciation, amortization, interest, other and income taxes ("EBITDA")	26,700	34,623	8,223	(4,010)	65,536
EBITDA as a % of revenues	31.0%	31.5%	25.0%	–	28.6%
Segment assets	397,640	279,043	156,079	581,033	1,413,795
Capital expenditures by segment	1,534	3,598	2,798	2,045	9,975

(thousands of Canadian dollars)					1999
	Radio	Programming	Digital audio, cable advertising, conventional television	Corporate	Total
Revenues – total	51,563	87,354	23,462	–	162,379
Income before depreciation, amortization, interest, other and income taxes ("EBITDA")	17,512	23,095	8,484	–	49,091
EBITDA as a % of revenues	34.0%	26.4%	36.2%	–	30.2%
Segment assets	146,044	215,349	17,518	483,626	862,537
Capital expenditures by segment	1,880	4,224	328	103	6,535

(thousands of Canadian dollars)					1998
	Radio	Programming	Digital audio, cable advertising, conventional television	Corporate	Total
Revenues – total	51,617	73,667	20,901	–	146,185
Income before depreciation, amortization, interest, other and income taxes ("EBITDA")	17,781	18,146	7,723	–	43,650
EBITDA as a % of revenues	34.4%	24.6%	30.1%	–	29.9%
Segment assets	110,629	215,342	17,374	455,107	798,452
Capital expenditures by segment	1,966	3,358	2,984	–	8,308

For the year ended August 31, 2000, expenditures for the Corporate segment of $4,010,000 represent the incremental cost of corporate overhead that is not allocated to the operating divisions and is incurred by Corus to operate as a stand-alone entity and not as a division of Shaw.

14. FINANCIAL INSTRUMENTS

Fair Values

The fair values of financial instruments have been determined as follows:

(i) Current assets and current liabilities

The fair values of financial instruments included in current assets and liabilities approximate their carrying values due to their short-term nature.

(ii) Investments and other assets

(a) The fair value of publicly traded shares included in this category is determined by the closing market values for those investments.

(b) The fair value of other investments in this category approximates their carrying value.

(iii) Long-term debt

The carrying value of the Company's bank loans approximates their fair value because interest charges under the terms of the bank loans are based upon current Canadian bank prime and bankers' acceptance rates and on U.S. bank base and LIBOR rates.

(iv) Derivative financial instruments

The fair value of interest rate and cross-currency exchange agreements is based upon quotations by the counterparties to the agreements.

The estimated fair values of long-term debt and related derivative financial instruments are as follows:

(thousands of Canadian dollars)		2000
	Carrying amount	Estimated fair value
Long-term debt		
Bank loans	297,030	297,030
Derivative financial instruments		
Cross-currency exchange agreements	–	11,790
	297,030	308,820

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Credit Risks

Credit risks associated with interest rate and cross-currency exchange agreements arise from the ability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. These risks are mitigated by dealing with major creditworthy financial institutions.

Accounts receivable are not subject to any concentration of credit risk.

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the consolidated statements of cash flows are as follows:

(i) Net change in non-cash working capital balances related to operations consists of the following:

(thousands of Canadian dollars)	2000	1999	1998
Accounts receivable	(6,742)	163	(7,043)
Prepaid expenses and other	2,184	(610)	(2,409)
Income taxes recoverable	(288)	(6,419)	(1,388)
Accounts payable and accrued liabilities	18,851	(33)	(493)
Income taxes payable	5,742	–	–
	19,747	(6,899)	(11,333)

(ii) Interest paid, received and income taxes paid and classified as operating activities are as follows:

(thousands of Canadian dollars)	2000
Interest paid	36,102
Interest received	9,728
Income taxes paid	3,357

For the year ended August 31, 1999, Shaw did not allocate interest on debt to its divisions nor does the Division have any separate legal existence for purposes of remitting income taxes. Accordingly, amounts included in the divisional financial statements for interest and income taxes represent allocations only and are included in changes in advances to and from Shaw.

(iii) Non-cash transactions

The consolidated statements of cash flows exclude the following non-cash transactions:

	2000
Common shares issued on acquisition (note 3)	199,856

16. RECONCILIATION OF CANADIAN GAAP TO U.S. GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

(a) Reconciliation to accounting principles generally accepted in the United States

(thousands of Canadian dollars)	2000	1999	1998
Net income (loss) using Canadian GAAP	155,984	7,375	(4,284)
Add (deduct) adjustments for			
Deferred charges (1)	431	(957)	(2,465)
Foreign exchange gains (2)	4,066	–	–
Equity in earnings of WIC (3)	7,692	–	–
Income tax effect of adjustments	(6,828)	431	1,109
Net income (loss) using U.S. GAAP	161,345	6,849	(5,640)
Unrealized gains on investments classified as available for sale, net of tax (4)	4,040	18,945	12,030
Realized losses on investments classified as available for sale, net of tax	(19,781)	–	–
Comprehensive income using U.S. GAAP	145,604	25,794	6,390
Net income per share using U.S. GAAP			
Basic	4.83	–	–
Fully diluted	4.73	–	–
Comprehensive income per share using U.S. GAAP			
Basic	4.36	–	–
Fully diluted	4.27	–	–

BALANCE SHEET ITEMS USING U.S. GAAP

(thousands of Canadian dollars)	2000		1999	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Investments and other assets (3)	76,177	90,957	516,152	546,011
Deferred charges (1)	15,054	12,136	3,422	–
Income taxes payable	12,767	14,723	7,025	7,025
Deferred credits (2)	36,949	32,883	–	–
Future tax liability	169,898	176,650	63,699	72,238
Shareholders' equity/net investment	826,678	834,197	470,839	488,738

The cumulative effect of these adjustments on shareholders' equity/net investment is as follows:

(thousands of Canadian dollars)	2000	1999
Shareholders' equity/net investment using Canadian GAAP	826,678	470,839
Deferred charges (1)	(1,836)	(1,882)
Foreign exchange gains (2)	970	–
Equity in earnings of WIC (3)	4,345	–
Accumulated other comprehensive income:		
Unrealized gains on investments (4)	4,040	19,781
Shareholders' equity/net investment using U.S. GAAP	834,197	488,738

Areas of material difference between accounting principles generally accepted in Canada and the United States and their impact on the consolidated financial statements are as follows:

(1) Deferred charges

Start-up costs of new specialty programming networks and costs associated with reformatting radio stations are deferred and amortized under Canadian GAAP. Under U.S. GAAP, these costs are expensed as incurred.

(2) Foreign exchange gains

Foreign exchange gains on translation of long-term debt are amortized on a straight-line basis over the remaining term of the debt under Canadian GAAP. U.S. GAAP requires gains to be included in income when incurred.

(3) Equity in earnings of WIC

The earnings of WIC determined under Canadian GAAP have been adjusted to reflect U.S. GAAP. Under Canadian GAAP, the investment in WIC was accounted for using the cost method of accounting until CRTC approval was received for the transaction. When the Company received CRTC approval, the amount in the accounts under the cost method became the basis for the purchase price allocation and equity accounting commenced. Under U.S. GAAP, equity accounting for the investment was done retroactively to the date the Company first acquired shares in WIC.

(4) Unrealized gains on investments

Under U.S. GAAP, equity securities having a readily determinable fair value and not classified as trading securities are classified as "available-for-sale securities" and reported at fair value, with unrealized gains and losses included in comprehensive income and reported as a separate component of shareholders' equity net of related deferred income taxes. Under Canadian GAAP, these investments are carried at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

(b) Statements of consolidated cash flows

Under U.S. GAAP, cash flow from operations per share cannot be reported in the consolidated statements of cash flows.

(c) Stock-based compensation

The Company applies APB Opinion 25 in accounting for common share options granted to employees and officers for U.S. GAAP purposes. Had compensation expense been determined on the basis of the estimated fair values of the options granted in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the net income for the year ended August 31, 2000 would have decreased by $1,930,000 to $159,415,000, basic and fully diluted earnings per share would be $4.78 and $4.68, respectively.

The fair value of stock options granted is estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Dividend yield	0.0%–2.682%
Risk free interest rate	5.648%
Expected life	5 years
Expected volatility	25%–50%

(d) Recent accounting pronouncements

(i) The Financial Accounting Standards Board in the United States issued a pronouncement entitled "Accounting for Derivative Instruments and Hedging Activities" ("FASB No. 133") which the Company is required to adopt for the year ending August 31, 2001. The Company has not yet fully determined the impact the adoption of FASB No. 133 will have on its consolidated financial statements. However, the Company does not use derivative financial instruments for trading purposes as they enter only into normal commercial foreign currency hedges and interest rate swaps.

(ii) In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") 101. SAB 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. SAB 101 is effective July 1, 2000, but certain conclusions in SAB 101 cover specific events that occurred after either December 15, 1998 or January 12, 2000. Management does not expect the application of SAB 101 to have a material impact on the consolidated financial position or results of operations of the Company.

(iii) In June 2000, the Financial Accounting Standards Board in the United States issued Statement of Position 00-2 ("SOP 00-2"), "Accounting by Producers or Distributors of Films", which provides guidance on generally accepted accounting principles to all producers or distributors that own or hold rights to distribute or exploit films. The new standard is effective for financial statements in fiscal years beginning after December 15, 2000. The Company has not yet determined the impact the adoption of SOP 00-2 will have on its consolidated financial statements.

17. COMMITMENTS

The Company has various long-term operating lease agreements for the use of transmission facilities and premises in each of the next five years and thereafter as follows:

(thousands of Canadian dollars)	
2001	11,082
2002	11,212
2003	10,485
2004	9,974
2005	8,297
Thereafter	30,391
	81,441

Acquisition commitments are outlined in note 3 to these consolidated financial statements. Rental expenses recognized in operating, general and administrative expenses are $3,556,000 (1999–2,470,000; 1998–$2,492,000).

18. PENSION PLANS AND POST-RETIREMENT BENEFITS

The Company has a defined contribution plan for qualifying full-time employees. Under the plan, the Company contributes 5% of an employee's earnings, not exceeding the limits set by the *Income Tax Act* (Canada).

The Company also has defined benefit pension plans for certain employees under which the amount of the pension is determined with reference to compensation paid and length of service. The cost of benefits earned by employees is actuarially determined using the projected benefits method prorated on service and management's best estimate of compensation increases, retirement ages of employees, future termination levels and expected returns on plan assets.

The Company has a post-retirement benefits plan for certain employees which include life insurance, dental and extended health care. The benefit amount is determined with reference to the date of retirement. The current accrual method, whereby the current service cost is actuarially determined, is used in accounting for the post-retirement benefits obligation.

The projected benefits obligation and fair value of assets for the defined benefit plans which were assumed on the acquisition of Blackburn Broadcasting and Power Broadcasting Inc. and post-retirement benefit plans for 2000 are as follows:

(thousands of Canadian dollars)	Pension benefits	Other benefits
Projected benefits obligation		
Beginning of year	3,547	1,056
Current service costs	35	–
Interest costs	87	61
Actuarial gains	–	(15)
Benefits paid	(222)	(76)
End of year	3,447	1,026
Plan assets at fair value		
Beginning of year	5,265	–
Return on plan assets	355	–
Plan participants' contributions	15	–
Expenses	(15)	–
Benefits paid	(222)	–
End of year	5,398	–
Funded status – (surplus) deficit	(1,951)	1,026
Accrued benefit		
Unamortized gain	226	–
Unamortized transitional asset	422	–
Accrued benefit asset	1,303	–
Valuation allowance	(1,951)	–
Accrued benefit, net of valuation allowance	–	–
Net benefit plan expense		
Service cost	35	–
Interest cost	87	–
Expected return on assets	(129)	–
Amortization of prior service cost	(1,295)	–
Valuation allowance provided against accrued benefit asset	1,421	–
Net benefit plan expense	119	–
Actuarial assumptions		
Discount rate	6%	6%
Rate of compensation increase	3%	–
Expected return on plan assets	6%	–

For measurement purposes, an 8% annual rate of increase in the cost of covered health care benefits was assumed for 2001. The rate was assumed to decrease gradually to 4.5% for 2021 and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement benefits obligation. A 1% point change in assumed health care cost trend rates would have the following effects:

(thousands of Canadian dollars)	1% increase	1% decrease
Effect on total service and interest cost components	4	(4)
Effect on post-retirement benefits obligation	58	(52)

19. RELATED PARTY TRANSACTIONS

The Company has transacted business with entities which are subject to common voting control in the normal course of business. These transactions, measured at the exchange amount which is the amount of consideration established and agreed to by the related parties and having normal trade terms, are as follows:

(thousands of Canadian dollars)	2000
Cable service subscriber fee and advertising revenues	19,279
Expenditures	
Digital music subscriber fees	2,190
Cable system distribution access fees	6,801
Administrative service fees	1,685
Amounts due from (to) affiliated companies are as follows:	
Digital music subscriber fees	(457)
Cable service subscriber fee and advertising revenues	4,182
Cable system distribution access fees	(752)

20. SUBSEQUENT EVENTS

(a) Acquisition

On September 17, 2000, the Company agreed to make an offer to acquire all outstanding Multiple Voting and Subordinate Voting Shares of Nelvana Limited ("Nelvana") at the option of the holder for (i) $48.00 cash or (ii) $0.05 cash and $47.95 worth of Class B Non-Voting Shares of the Company determined by dividing $47.95 by the Corus Average Trading Price (subject to a minimum of 0.982 and a maximum of 1.2 Corus Class B Non-Voting Shares per Subordinate Voting Share of Nelvana), subject to proration so that 60% of the total consideration is paid in cash and 40% is paid in Class B Non-Voting Shares. The "Corus Average Trading Price" is the volume weighted average trading price of the Class B Non-Voting Shares on The Toronto Stock Exchange for the 10 trading days ending on the third trading day immediately preceding the offer. At August 31, 2000, the Company held 675,000 Subordinate Voting Shares of Nelvana and the effective price to Corus is $46.58 per share when these shares are included. The offer is contingent on the tender of 100% of the Subordinate Voting Shares issuable upon conversion of all Multiple Voting Shares and a minimum of 66⅔% of the issued and outstanding Subordinate Voting Shares on a fully-diluted basis assuming conversion into Subordinate Voting Shares of all Multiple Voting Shares. Corus and Nelvana have executed a Support Agreement which contains terms and conditions typical for transactions of this nature, including the payment to Corus of standard break-up fees in the event the transaction is not completed under certain circumstances. The offer will be open for acceptance until November 11, 2000.

(b) Divestiture

In September 2000, the Company sold its Quebec conventional television station CHAU, subject to regulatory approval. The proceeds, which approximated its cost, totaled $8,500,000.

21. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2000 consolidated financial statements.

DIRECTORS

John M. Cassaday (2)(4)
Toronto, Ontario
President and Chief Executive Officer, Corus

Dennis M. Erker (2)(3)
Edmonton, Alberta
Partner, The Fairly Erker Group (a financial and estate planning company)

Clinton C. Forster (3)
Victoria, British Columbia
President, Forvest Broadcasting Corporation (a radio broadcasting company)

David A. Jensen (1)
Englewood, Colorado
Vice President, Liberty Media

Wendy A. Leaney (1)
Toronto, Ontario
President, Wyoming Associates Ltd.

Terrance E. Royer (1)(2)
Calgary, Alberta
President and Chief Executive Officer, Royal Host Corp. (a hotel management company)

Heather A. Shaw (2)(3)
Calgary, Alberta
Executive Chair, Corus

Julie M. Shaw (4)
Calgary, Alberta
Director of Facilities, Shaw Communications and Secretary, Shaw Foundation

Dorothy Zolf McDonald, PhD (4)
Toronto, Ontario
Corporate Director, former Associate Professor, Graduate Program in Communication Studies, University of Calgary and Visiting Professor, University of Alberta

(1) Member of the Audit Committee
(2) Member of the Executive Committee
(3) Member of the Human Resources Committee
(4) Member of the Corporate Governance Committee

OFFICERS

Judy C. Adam
Oakville, Ontario
Vice President, Controller

John M. Cassaday
Toronto, Ontario
President, Chief Executive Officer and Director

Bryan D.S. Ellis
Ancaster, Ontario
Vice President, Diversified Media

David H. Kincaid
Toronto, Ontario
Vice President, Marketing

Kathleen C. McNair
Toronto, Ontario
Vice President, Regulatory Affairs

Thomas C. Peddie
Toronto, Ontario
Senior Vice President and Chief Financial Officer

John R. (Jack) Perraton
Calgary, Alberta
Secretary

Paul W. Robertson
Toronto, Ontario
President, Television

James T. (Terry) Strain
Calgary, Alberta
President, Radio

Laura Y.M. Thanasse
Aurora, Ontario
Vice President, Human Resources

OUR YEAR IN REVIEW

1999

September

01 — CORUS created as a separate, publicly traded entity
BLACKBURN ACQUISITION (3 radio stations in London, Ont. for $42 million)

09 — POWER BROADCASTING INC. – Corus announces the acquisition of the broadcasting assets (17 radio stations and 4 television stations) of Power Broadcasting Inc. for $107.5 million plus working capital adjustments

27 — SOLD 48% HEADLINE SPORTS interest to Alliance Atlantis

October

November

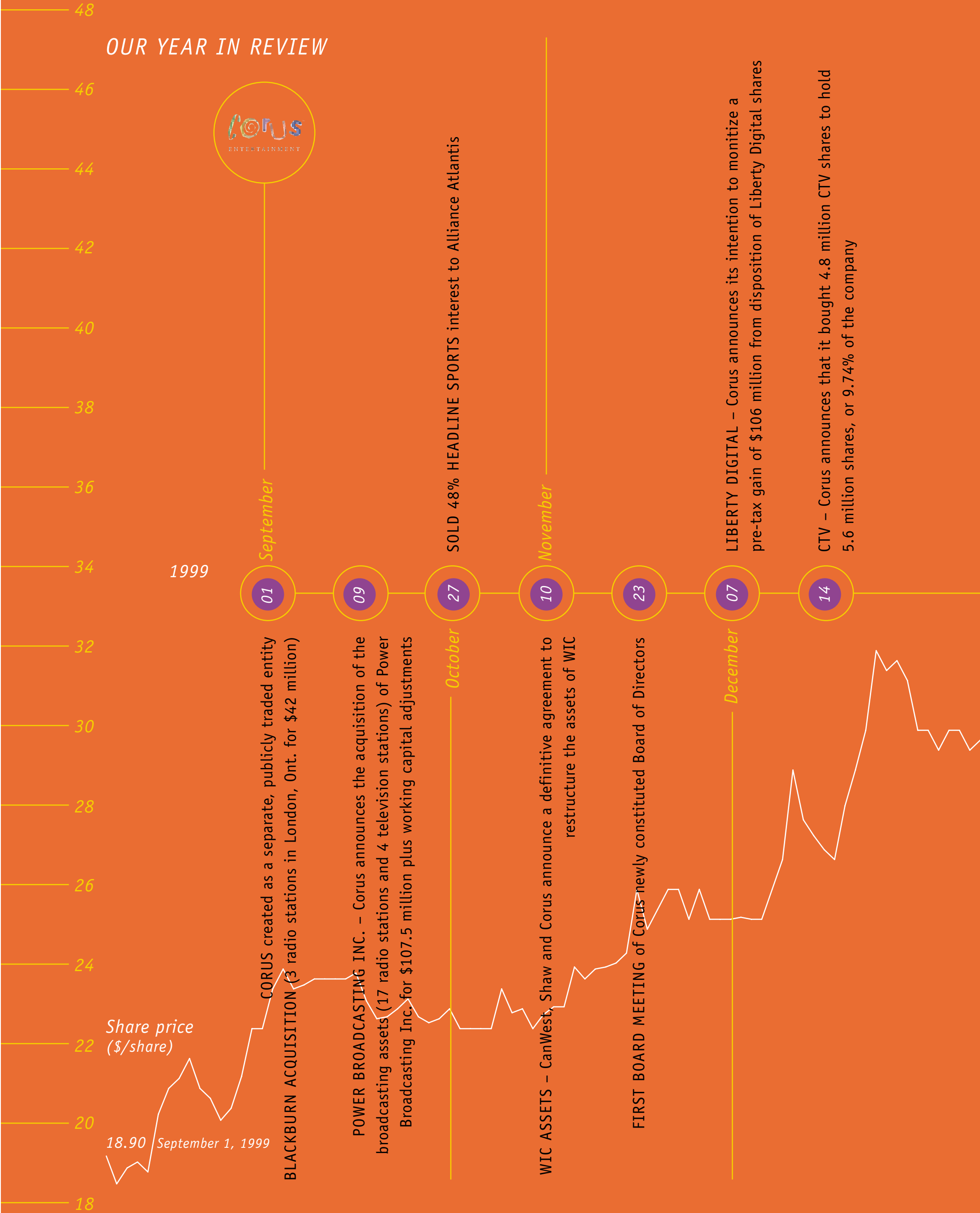
10 — WIC ASSETS – CanWest, Shaw and Corus announce a definitive agreement to restructure the assets of WIC

23 — FIRST BOARD MEETING of Corus newly constituted Board of Directors

December

07 — LIBERTY DIGITAL – Corus announces its intention to monitize a pre-tax gain of $106 million from disposition of Liberty Digital shares

14 — CTV – Corus announces that it bought 4.8 million CTV shares to hold 5.6 million shares, or 9.74% of the company




2000
January
27
FIRST QUARTER RESULTS – Corus reports a 16% increase in revenue
February
07
JOINT VENTURE – Corus announces joint venture with CBC to provide Digital Music
LIBERTY
21
LIBERTY MEDIA – Corus announces that Liberty Media to acquire 19.9% non-voting interest in Corus
25
BCE announces $38 per share takeover for CTV – Corus gains approximately $80 million
March
24
CRTC APPROVES acquisition of Power Broadcasting assets
April
11
TSE 300 INDEX – Corus is added
TSE
12
POWER BROADCASTING – Corus completes the purchase of the Power Broadcasting assets
18
COOLeh.com – Corus announces partnership with Torstar for a new online retail mart, COOLeh.com
19
SECOND QUARTER RESULTS – Corus reports year-to-date revenue increase of 15%
May
10
CJR LISTED NYSE
Corus listed as CJR – New York Stock Exchange
25
TSE 100 INDEX – Corus is added
July
04
SOUND PRODUCTS LTD. – Corus announces purchase
WIC
06
CRTC GRANTS APPROVAL for Corus to purchase the radio and premium television assets of WIC
26
THIRD QUARTER RESULTS – Corus reports year-to-date operating profit increase of 65%
August
24
DIGITAL HEARINGS – Corus appears before CRTC presenting 6 applications Involved in 50 applications overall
FOOD NETWORK CANADA approved by CRTC. Corus owns 19.9%
30
METROMEDIA – Corus announces acquisition of Metromedia subject to CRTC approval
43.50
August 31, 2000

CORPORATE INFORMATION

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Corus Entertainment Inc.
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630-3rd Avenue SW
Calgary, Alberta
Telephone (403) 444-4244
Facsimile (403) 444-4202
Web site www.corusentertainment.com

Executive Office
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Suite 1630
181 Bay Street
Toronto, Ontario
M5J 2T3
Telephone (416) 642-3770
Facsimile (416) 642-3779
Web site www.corusentertainment.com

Auditors
Ernst & Young LLP

Primary Bankers
The Toronto-Dominion Bank

Transfer Agents
CIBC Mellon Trust Company
Calgary
1-800-387-0825

Chase Mellon Shareholder Services, L.L.C.
New York
1-800-526-0801

Corporate Governance
Information concerning Corus' corporate governance policy is contained in the Information Circular and is also available by contacting the Company.

Internet Home Page
Corus' Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor relations information are available electronically on the Internet at www.corusentertainment.com.

Further Information
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (416) 642-3770 or visit our Web site at www.corusentertainment.com for further information.

To receive additional copies of the Annual Report for Corus Entertainment Inc., please fax your request to the Director of Communications at (416) 642-3779.

Vous pouvez obtenir la version française du présent rapport en communiquant par télécopieur avec le directeur des communications, au (416) 642-3779.

Annual Meeting
The Annual General Meeting of Shareholders will be held on December 12, 2000, at 11:00 a.m. at the Design Exchange, 234 Bay Street, Toronto.

Interbrand Tudhope, Toronto
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www.corusentertainment.com